# QUARTERLY REPORT

For the period ending
30 September 2022

FENIX

19 October 2022

## SEPTEMBER 2022 QUARTERLY ACTIVITIES REPORT

**Fenix delivers strong production and sales volumes**

**Acquisition of Fenix-Newhaul Haulage business completed**

**Reduction in C1 Cash Costs**

**$95 million in Cash**

**Steady state 1.3 million tonnes per annum production**

**Valuable hedge position supporting strong operating margins**

## HIGHLIGHTS

- Strong sales achieved on increased production volumes: Six shipments totalling ~361,000 wet metric tonnes (wmt) of iron ore from the Iron Ridge Project in Western Australia were sold during the quarter, consisting of 137,980 wmt of lump and 222,932 wmt of fines
- Cash costs decreased following the acquisition of Fenix-Newhaul with C1 cash costs of A$84.14/wmt shipped FOB Geraldton, equivalent to US$58/wmt (June Q: A$91.53/wmt)
- Average CFR price received, pre-hedging and quotation period price adjustments, of US$105 per dry metric tonne (dmt), equivalent to A$154/dmt CFR (June Q: US$142/dmt)
- Shipping costs decreased to US$26.6/dmt, equivalent to A$39/dmt (June Q: US$32.2/dmt)
- Net C1 operating margin, excluding hedge and quotation period adjustment, of ~A$26/dmt
- Hedging contracts generated A$10 million of revenue during the quarter
- Hedge book mark-to-market value at 30 September 2022 of approximately A$14.6 million, with 35,000 tonnes per month hedged to June 2023 at a fixed price of A$180.65/dmt

***"Fenix has continued to demonstrate consistent operational performance is generating strong profitability. With $95 million in cash, a valuable hedge book, an excellent experienced management team and stable operations, the Company is well placed to explore further opportunities for growth."***

# HIGHLIGHTS (Continued)

- Cash as at 30 September 2022 of A$94.5 million (30 June 2022: A$101.9 million)
- Fenix achieved significant milestone of two million dry metric tonnes of high-grade iron ore sales only nineteen months from first production
- Net operating margin for the first two million tonnes of production averaged approximately A$56/dmt, demonstrating high profitability
- Acquisition of Fenix-Newhaul completed on 22 July 2022, positioning Fenix as a fully integrated mining, haulage and logistics company
- Full Year Results for FY22 announced during the quarter with Fenix generating a net profit after tax of $50.7 million and declaring a fully franked final dividend of 5.25 cents per share
- Fenix continues to evaluate exciting opportunities for growth to maximise value for shareholders
- Fenix will host a live investor briefing today, Wednesday 19 October, at 9:30am AWST / 12:30pm AEDT. Register here: https://bit.ly/3CyNS1g

**Fenix Resources Limited** (**ASX: FEX**) (**Fenix** or **the Company**) is pleased to report on activities for the quarter ending 30 September 2022 (**September Quarter**), in which the Company shipped ~361,000 wmt of high-grade iron ore resulting in the achievement of the significant milestone of producing and selling more than 2 million tonnes of iron ore from Iron Ridge in Western Australia's Mid-West.

## MANAGEMENT SUMMARY

*"Fenix has continued to demonstrate that consistent operational performance is generating strong profitability. With $95 million in cash, a valuable hedge book, an excellent experienced management team and stable operations, the Company is well placed to advance further opportunities for growth."*

JOHN WELBORN

Chairman

# IRON RIDGE PROJECT - OPERATIONS

## Health & Safety

Fenix is committed to maintaining a safe work environment for all personnel. During the September Quarter, the Company recorded no Lost Time Injuries.

Fenix continues to manage strict COVID-19 protocols at all operational sites to protect the health, safety and wellbeing of the Company's people. The Company has not been materially affected by COVID-19 related restrictions, with minor numbers of cases being managed according to our policies and procedures, and in line with current health regulations.

Fenix continues to maintain vaccination requirements at all Company sites. This policy is subject to ongoing review following the relaxation of mandatory Government requirements. Fenix personnel have responded positively to changing circumstances throughout the pandemic to ensure operational continuity.

***Fenix's Iron Ridge Iron Ore Mine, October 2022***

## Mining & Production

During the September Quarter, Fenix loaded six ships with a total of 360,912 wmt of iron ore from Iron Ridge (137,980 wmt of lump and 222,932 wmt of fines), with completion dates of 13 July, 31 July, 12 August, 27 August, 17 September and 29 September 2022.

To date, Fenix has shipped 2,198,412 wmt (2,098,296 dmt) of product from its Iron Ridge Project.

Average grade shipped for the September Quarter was 62.2% Fe for fines (previous quarter: 62.1%) and 64.3% Fe for lump product (previous quarter: 63.6%), again demonstrating the unique high-grade high-quality nature of the Iron Ridge ore body.

The current project-to-date lump to fines ratio of 46%:54% continues to be significantly higher than the life-of-mine assumed average of 25%:75%.

## Production Summary

| Production Summary (k wmt) | Sept Q FY23 | June Q FY22 | March Q FY22 | Project to Date |
|---|---|---|---|---|
| **Ore Mined** | 368.6 | 313.6 | 340.6 | 2,323.3 |
| **Lump Ore Produced** | 155.4 | 122.7 | 143.2 | 1,072.9 |
| **Fine Ore Produced** | 195.3 | 196.5 | 196.9 | 1,215.5 |
| **Lump Ore Hauled** | 130.3 | 132.7 | 121.4 | 1,012.8 |
| **Fine Ore Hauled** | 196.2 | 207.4 | 207.3 | 1,196.3 |
| **Lump Ore Shipped** | 138.0 | 140.7 | 100.3 | 1,007.4 |
| **Fine Ore Shipped** | 222.9 | 203.6 | 194.4 | 1,191.0 |
| **C1 Cash Cost (A$/wmt Shipped FOB)** | 84.1 | 91.5 | 81.7 | 87.6 |

## Performance at a Glance

| Item | Unit | Sept Q FY23 | June Q FY22 | March Q FY22 |
|---|---|---|---|---|
| **Lump product sales**<br>**Fines product sales** | k wmt<br>k wmt | 138<br>223 | 141<br>204 | 100<br>194 |
| **Total Ore Sales** | k wmt | 361 | 344 | 295 |
| **Platts 62% Fe CFR price, average** | US$/dmt | 103.3 | 137.9 | 141.6 |
| **Average Realised CFR price** | US$/dmt<br>A$/dmt | 105.2<br>153.9 | 141.6<br>198.1 | 141.7<br>195.6 |
| **Average Freight cost** | US$/dmt<br>A$/dmt | (26.6)<br>(38.9) | (32.2)<br>(45.0) | (26.7)<br>(36.9) |
| **Average Realised FOB price (pre-QP Adjustments)** | US$/dmt<br>A$/dmt | 78.6<br>115.0 | 109.4<br>153.2 | 115.0<br>158.7 |

## Operating Financial Performance

Unaudited C1 FOB Cash Costs for the September Quarter were A$84.14 per wmt shipped, equivalent to approximately US$58/wmt. Cash Costs were approximately 8% lower than the previous quarter mainly due to the savings arising from the consolidation of the Fenix-Newhaul haulage business, partially offset by higher diesel prices.

Iron ore markets remained volatile during the quarter with the average CFR price received by Fenix, prior to recognising any hedging gains and quotation period price adjustments, reducing to US$105/dmt (June Q: US$142/dmt). This received CFR iron ore price compared favourably with the quarterly average CFR market price of US$103/dmt (June Q: US$138/dmt).

Sea freight costs decreased 17% during the quarter to US$26.6/dmt (~A$39/dmt), continuing the trend from the prior quarter where global shipping markets started to ease.

Fenix's C1 operating margin, not including hedging and quotation period adjustments, for the September Quarter was approximately A$26/dmt. Net C1 operating margin is calculated as the Average Realised FOB price less C1 Cash Costs, calculated on an equivalent dry metric ton basis for the period

Cash outflows during the quarter included a $7.5 million payment associated with the Fenix-Newhaul acquisition and approximately A$0.7 million in corporate tax payments. Fenix has now moved to quarterly tax instalments with a FY22 tax payment of approximately $16.3 million due in December 2022.

Capital expenditure for the September Quarter was approximately $2.7 million which largely related to Fenix-Newhaul trucks and trailers acquired as part of a general replacement program. Total project capital expenditure to date has been approximately A$26 million, exclusive of Fenix-Newhaul owned assets prior to the purchase of the remaining 50% of the business in July 2022. As at 30 September 2022, the Company held A$19.4 million of debt obligations relating to the financing of Fenix-Newhaul's haulage fleet and associated infrastructure.

Fenix expects capital expenditure in future periods to largely comprise Fenix-Newhaul transport assets, as the final site infrastructure has now been completed by the mining contractor. Fenix continues to investigate methods to deploy capital expenditure to reduce operating costs.

Cash at the end of the quarter was A$94.5 million, representing cash backing of approximately $0.16 per share. The Cash balance as at 30 September did not include sales receipts of approximately US$4.7 million (A$7.4 million) for the last shipment for the quarter made on 29 September 2022.

Project costs to date have averaged A$87.91/wmt FOB, equivalent to around US$57/wmt based on prevailing FX rates. These costs are inclusive of marketing fees and costs incurred in the ramp up period in late 2020 and the early months of 2021.

### Exploration

Fenix holds 100% interest in the Iron Ore rights over tenements E20/953 and E20/948 (together the **Pharos Project Tenements**) (See ASX announcement dated 9 February 2022).

The Pharos Project Tenements cover 385 km$^2$ and are contiguous to the tenements comprising Fenix's flagship Iron Ridge Project and contain numerous known iron ore targets.

Historical exploration and recent field work at Pharos has identified areas that are prospective for iron ore. Several target areas in close proximity to the Company's existing Iron Ridge mining operations are being evaluated with potential to host high grade iron mineralisation similar to Iron Ridge.

During the quarter, a geological field crew were deployed to Iron Ridge and the Pharos Project Tenements and further work is expected to be scheduled in due course. In addition, Fenix continues to investigate opportunities for collaboration and acquisition of quality iron ore projects in the Mid-West with relevance to the Company's existing mining, haulage, and port operations.

## CORPORATE

### FY22 Full Year Results

Total iron ore sales for the 12 months to 30 June 2022 (FY22) was 1.34 million wet metric tonnes. Fenix generated annual sales revenue of $249.2 million for the 12 months to 30 June 2022, which delivered a net profit after tax of $50.7 million. Net operating cashflow from operations was $62.3 million, with free cash flow of $56.9 million.

### Fenix FY22 Final Dividend

Fenix has a dividend policy to distribute between 50% and 80% of after-tax profits as fully franked dividends, subject to the availability of franking credits. Based on the full year profit of $50.7 million, Fenix declared a fully franked dividend of 5.25c per share on 29 August 2022. The total dividend payment of $28.7 million was paid on 5 October 2022 and will be a cash outflow during the current quarter.

## Leadership Transition and New Appointments

On 25 July 2022, Fenix announced that Managing Director, Mr Rob Brierley, had tendered his resignation. Mr Brierley's final departure date will be 22 October 2022. Following the departure of Mr Brierley, and pending the appointment of a new Managing Director, the Board of Fenix intend to appoint current Non-Executive Chairman Mr John Welborn as Interim Executive Chairman.

During the September quarter, Fenix made several new leadership appointments (see ASX announcement dated 1 September 2022 for full details):

- Mr Stuart Ausmeier was appointed as Chief Financial Officer of Fenix; and
- Mr Craig Mitchell was appointed as a Director of Fenix following the consolidation of 100% ownership in Fenix-Newhaul.

Fenix continues with its executive search process to recruit exceptional candidates to bolster Fenix's existing strong executive leadership team. Further announcements will be made as and when new appointments are confirmed.

## Hedging

Fenix has an active hedging program which is designed to manage iron ore price risk and protect the Company's strong operating margins. Hedging exposures have comprised:

- 50kt / month until 30 September 2022: On 22 July 2021, Fenix entered into swap arrangements with an Australian top tier financial institution for 50,000 dry metric tonnes (dmt) of iron ore per month based on the Monthly Average Platts TSI 62 Index converted to AUD for the 12-month period from October 2021 to September 2022. The price fixed is equivalent to A$230.30/dmt, flat over the period. The last of these contracts expired on 30 September 2022 and was settled on 10 October 2022.
- 35kt / month until 30 June 2023: On 9 June 2022, the Company entered into additional iron ore swap arrangements for 35,000 dmt per month of the Monthly Average Platts TSI 62 Index converted to AUD for the 9-month period from October 2022 to June 2023. The price fixed is equivalent to A$180.65 per dmt, flat over the period.

Cash settlement under the hedge contracts occurs 5 business days after the end of each month with a total of approximately A$10.0 million received for the three contracts (June 2022, July 2022 and August 2022) settled during the September quarter.

As at 30 September 2022, Fenix's hedge book had a mark-to-market value of approximately A$14.6 million, inclusive of the outstanding settlement for the month of September 2022 that was subsequently paid in early October 2022.

## Quotation Period Adjustments

Similar to most iron ore producers, Fenix shipments of iron ore are provisionally priced prior to the date of ship loading at a reference price on the agreed day. A provisional payment is then made subsequent to the date of loading. Final iron ore pricing is determined based on the quotational period average price calculated over a specific period as per the specific sales contract for the relevant shipment. An adjustment payment (quotation period price adjustment) is then made based on any difference between the reference price (used for the provisional payment) and the final price as per the contract. Depending on the specific contract a quotation period is generally one month and can be up to three months. During periods of increasing iron ore prices, a quotation period price adjustment will generally result in additional revenue, whereas during periods of declining iron ore prices a quotation period price adjustment will result in a cash outflow.

During the September quarter, where market iron ore prices declined during the last month of the prior quarter, quotation period price adjustments resulted in a total cash outflow of US$4.5 million

(~A$6.5 million). For comparison purposes, during the June 2022 quarter, where market iron ore prices increased during the last month of the quarter, quotation period price adjustments resulted in an additional cash inflow of US$4.1 million (~A$5.8 million).

## Capital Structure

During the September Quarter, the Company issued 30 million new shares to an entity associated with Mr Craig Mitchell, as part of the initial consideration of the remaining 50% interest in Fenix-Newhaul (see ASX announcement dated 21 June 2022 for full details).

In accordance with ASX Listing Rule 5.3.5, $908,370 in payments were made to related parties or their associates during the quarter, comprising Executive Director salaries, superannuation and bonus payments, Non-Executive Director fees and superannuation payments, as well as Fenix-Newhaul payments to Newhaul (an entity associated with Mr Craig Mitchell).

## Growth Opportunities

As a new Western Australian Mid-West based producer of high-quality high-grade iron ore with existing mining operations, an operational transport joint-venture which is soon to be consolidated, and Company owned export facilities at Geraldton Port, Fenix is actively exploring and seeking to evaluate new regional opportunities for exploration, development and production.

As part of the Company's growth strategy, Fenix will continue to assess corporate and asset opportunities that have a strategic fit, build upon the Company's strengths and importantly, add to Shareholder value.

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*Authorised by the Board of Fenix Resources Limited.*

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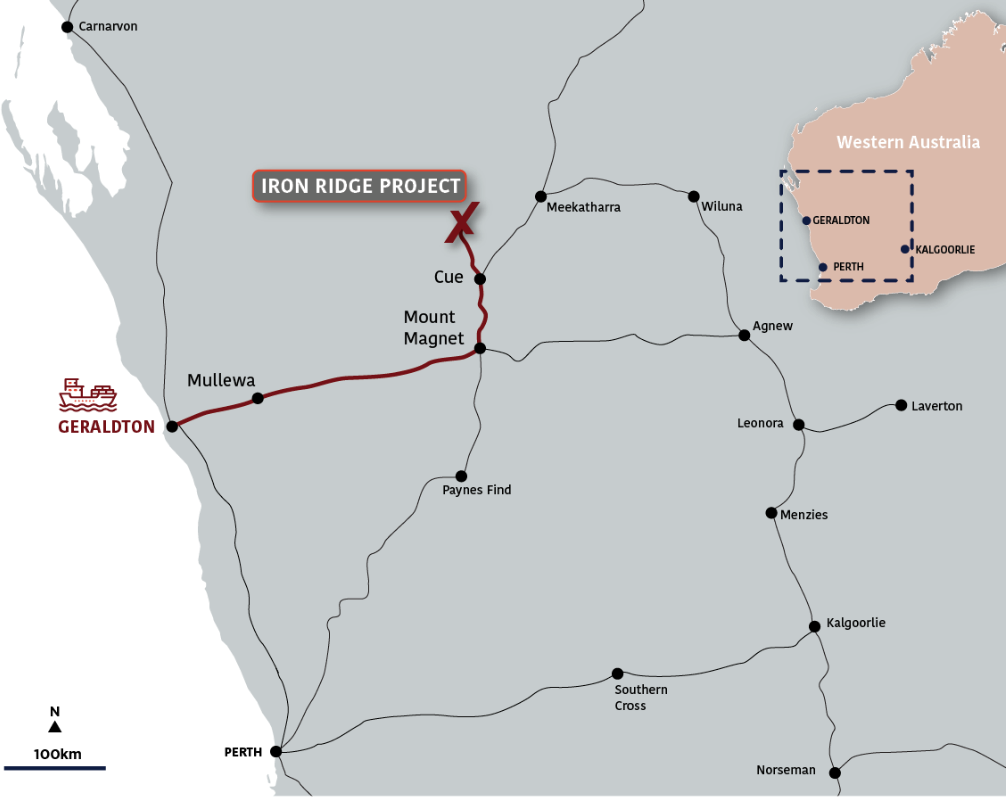


**Fenix Resources (ASX: FEX)** is a high grade, high margin iron ore producer located in the prolific mid-west mining region of Western Australia.

The Company's 100% owned, flagship Iron Ridge Iron Ore Project is a premium DSO deposit that hosts some of the highest grade iron ore in Western Australia. Production commenced in December 2020 and first sales were generated in February 2021. Consistent with the planned production run rate of 1.3 million tonnes per annum, the Company celebrated the cumulative sale of a total of 2 million dry metric tonnes of high-grade iron ore in October 2022. The unaudited net operating margin for the first two million dry metric tonnes of iron ore sold from Iron Ridge averaged approximately A$56 per dry metric tonne shipped. This represents an unaudited gross cashflow operating margin of more than A$112 million in just 19 months of production.

The Company's high-grade Iron Ore is transported by road from Iron Ridge using the 100% owned Fenix-Newhaul haulage business to Geraldton where it is shipped using the Company's port facility. High grade iron ore attracts a premium price on the seaborne market, with global steel makers increasingly demanding low impurity ore to meet increasingly strict environmental regulations.

The Company is led by an experienced team with deep mining experience and benefits from strategic alliances and agreements, including contracts with the Mid West Ports Authority for the use of its Geraldton Port facilities, a 50% off-take arrangement with Sinosteel International Holding Company Limited and an exclusive marketing agreement with Atlas Iron Pty Ltd for the remaining 50% of product sales.

Fenix is focused on promoting opportunities for local businesses and the community; to date, the project has generated more than 200 local jobs. Fenix is proud to have strong indigenous representation in the Company's workforce and to be in partnership with leading contract service providers including MACA Ltd, Alpha 1 WA Pty Ltd, Champion Bay Electrical Ltd, Schwarze Brothers Pty Ltd and other leading contract service providers.


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## Tenement Schedule

The Company's interests in tenements are set out below:

| Location | Project | Tenement No. | Interest at Beginning of Quarter | Interest at End of Quarter |
|---|---|---|---|---|
| Western Australia | Iron Ridge | M20/118-I | 100% | 100% |
| Western Australia | Iron Ridge | E20/936 | 100% | 100% |
| Western Australia | Iron Ridge | L20/83 | 100% | 100% |
| Western Australia | Iron Ridge | L20/84 | 100% | 100% |
| Western Australia | Iron Ridge | L20/85 | 100% | 100% |
| Western Australia | Iron Ridge | G20/28 | 100% | 100% |
| Western Australia | Pharos | E20/943 | 100% of Iron Ore rights | 100% of Iron Ore rights |
| Western Australia | Pharos | E20/953 | 100% of Iron Ore rights | 100% of Iron Ore rights |


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